

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-123-G - ORDER NO. 2006-308
MAY 18, 2006

IN RE: Request of South Carolina Electric and Gas) ORDER ISSUING
Company for an Accounting Letter) ACCOUNTING LETTER
Authorizing the Amortization of Unrecovered)
Propane Air Plant Investment)

By letter dated April 24, 2006, South Carolina Electric & Gas Company (“SCE&G” or “Company”) through counsel has requested that the Public Service Commission of South Carolina (the “Commission”) issue an Accounting Letter to authorize SCE&G to amortize over five years the net undepreciated investment in its propane air facilities located at North Charleston and Columbia (the “Propane Air Facilities”).

In Order No. 2005-653 the Commission found that SCE&G could properly retire the Propane Air Facilities after depleting the inventories on hand during the 2005-2006 winter heating season. Under standard utility accounting practices, upon retirement of the Propane Air Facilities SCE&G will compute its unrecovered investment in these facilities (the “Unrecovered Investment”), recognizing net accumulated depreciation, salvage value, removal costs, and other associated costs. The initial amount of the Unrecovered Investment will be established using estimates of the costs and values that are not conclusively known at that time. Thereafter, the net amount of the Unrecovered Investment would be adjusted pursuant to generally accepted accounting principles as

amortization expense is recognized and as further information related to salvage value, removal costs or other associated costs becomes available.

SCE&G has requested an accounting letter allowing it to recognize this Unrecovered Investment as a deferred expense in FERC Account 182.2 “Unrecovered Plant and Regulatory Study Costs” as found in 18 CFR 201 (2005) on the date that it ceases to use the plants for utility purposes.

During the period between the retirement date (the “Retirement Date”) and November 1, 2006, SCE&G proposes to credit to the balance of the Unrecovered Investment and recognize in expense an amount equal to the reduction in SCE&G’s depreciation expense as a result of the Propane Air Facilities’ retirement. Beginning on November 1, 2006, SCE&G proposes to amortize the balance of the Unrecovered Investment in Account 182.2 over five years.

SCE&G proposes this approach to amortization to allow it a reasonable time to complete the salvage and removal of the Propane Air Facilities, thereby quantifying the associated costs and values with greater certainty. SCE&G also states that this approach will allow the commencement of the five year amortization of the balance in the account to coincide with any adjustment in rates that would take place in November, 2006 as a result of the Natural Gas Rate Stabilization Act.

The Commission finds that the issuance of the requested Accounting Letter will not involve a change to any of SCE&G’s rates or prices, or any Commission rule, regulation or policy. In addition, issuance of the requested Accounting Letter will not

prejudice any party's right to address this issue in a subsequent general rate case proceeding.

Pursuant to Section 58-5-240(8) (Supp. 2005) of the South Carolina Code of Laws, the Commission may issue the requested Accounting Order without notice or hearing because the Letter will not result in any rate increase to SCE&G's customers. However, in Order No. 2005-653, the Commission granted SCE&G's request for its gas distribution rates to come under the terms of the Natural Gas Rate Stabilization Act (RSA), Section 58-5-400, *et. seq.* of the Code of Laws of South Carolina. Under Section 58-5-430(2) of the RSA, accounting letters such as the letter requested here are to be recognized in RSA filings. For this reason, the RSA provides at Section 58-5-430(2) that "other parties shall be given sufficient opportunity to review and provide comments on any proposed accounting letter or order. . . ."

Accordingly, the Commission posted SCE&G's April 24, 2006, request for an Accounting Letter on the Commission's website on April 24, 2006, and further provided notice to the public of SCE&G's request by posting it on the Commission's agenda for the week of May 1, 2006. By letter dated April 24, 2006, the Office of Regulatory Staff ("ORS") notified this Commission by letter that it had no objection to SCE&G's request.

The Commission has examined SCE&G's request as well as any comments received. The Commission has concluded for the reasons set forth in the request that it should be granted as filed. Accordingly, the Commission issues the Accounting Letter as requested:

1. Upon retirement of the Propane Air Facilities, SCE&G may record the Unrecovered Investment in those facilities, after recognition of accumulated depreciation, salvage value, removal costs, and other associated cost, in FERC Account 182.2 “Unrecovered Plant and Regulatory Study Costs.”

2. During the period between the Retirement Date and November 1, 2006, SCE&G shall credit to the balance of Unrecovered Investment an amount equal to the reduction in SCE&G’s depreciation expense as a result of the retirement and shall recognize a corresponding amortization expense.

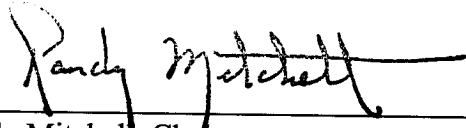
3. Beginning on November 1, 2006, SCE&G shall amortize the balance of the Unrecovered Investment in Account 182.2 over five years and recognize a corresponding amortization expense.

4. Pursuant to generally accepted accounting principles and FERC Account 182.2(c), SCE&G may make such adjustments in the amount of Unrecovered Investment in the Propane Air Facilities reflected in FERC Account 182.2 as facts and circumstances shall warrant.

5. This accounting letter will not prejudice any party’s right to address the matters contained herein in a subsequent general rate case proceeding.


6. This accounting letter shall remain in full force and effect until further
Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice Chairman

(SEAL)